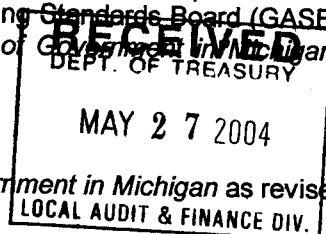


AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Marengo		County Calhoun
Audit Date March 31, 2004	Opinion Date May 1, 2004	Date Accountant Report Submitted to State: May 1, 2004		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

TOWNSHIP OF MARENGO
Calhoun County, Michigan

RECEIVED
GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
J MAY 27 2004
Year Ended March 31, 2004
- 214

TOWNSHIP OF MARENGO
Calhoun County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

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P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

May 1, 2004

To the Township Board
Township of Marengo
Calhoun County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Marengo, Calhoun County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Marengo's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Marengo, Calhoun County, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its Trust Fund for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Marengo, Calhoun County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF MARENGO
Calhoun County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Total</u>
	<u>General</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>(Memorandum Only)</u>
<u>Assets</u>				
Cash in bank	497 422 85	10 579 62	-	508 002 47
Taxes receivable	4 334 71	-	-	4 334 71
Land, buildings and equipment	-	-	679 250 49	679 250 49
Total Assets	<u>501 757 56</u>	<u>10 579 62</u>	<u>679 250 49</u>	<u>1 191 587 67</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	2 623 17	-	-	2 623 17
Due to other units	-	1 318 26	-	1 318 26
Total liabilities	<u>2 623 17</u>	<u>1 318 26</u>	<u>-</u>	<u>3 941 43</u>
Fund equity:				
Investment in general fixed assets	-	-	679 250 49	679 250 49
Fund balances:				
Reserved for cemetery perpetual care	-	9 261 36	-	9 261 36
Unreserved:				
Undesignated	499 134 39	-	-	499 134 39
Total fund equity	<u>499 134 39</u>	<u>9 261 36</u>	<u>679 250 49</u>	<u>1 187 646 24</u>
Total Liabilities and Fund Equity	<u>501 757 56</u>	<u>10 579 62</u>	<u>679 250 49</u>	<u>1 191 587 67</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 1

	<u>Governmental Fund Type</u>
	<u>General</u>
Revenues:	
Property taxes	44 152 32
Licenses and permits	23 723 37
State revenue sharing	153 366 00
Charges for services:	
Fire protection	18 700 00
Interest	12 176 47
Miscellaneous	<u>40 069 08</u>
Total revenues	<u>292 187 24</u>
Expenditures:	
Legislative:	
Township Board	6 359 43
General government:	
Supervisor	11 739 18
Elections	272 77
Assessor	14 884 08
Audit and attorney	4 166 23
Clerk	17 185 55
Board of Review	785 80
Treasurer	14 795 96
Cemetery	5 170 00
Public safety:	
Fire protection	81 172 44
Ambulance	7 621 85
Protective inspection	17 039 50
Planning – zoning	10 757 86
Public works:	
Drains	1 561 50
Highways and streets	2 964 00
Street lighting	3 523 53
Capital outlay	<u>219 906 86</u>
Total expenditures	<u>419 906 54</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Type</u>
	<u>General</u>
Excess (deficiency) of revenues over expenditures	(127 719 30)
Fund balance, April 1	<u>626 853 69</u>
Fund Balance, March 31	<u><u>499 134 39</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	44 849 53	44 152 32	(697 21)
Licenses and permits	18 286 00	23 723 37	5 437 37
State revenue sharing	153 366 00	153 366 00	-
Charges for services:			
Fire protection	18 700 00	18 700 00	-
Interest	9 293 76	12 176 47	2 882 71
Miscellaneous	<u>11 715 03</u>	<u>40 069 08</u>	<u>28 354 05</u>
Total revenues	<u>256 210 32</u>	<u>292 187 24</u>	<u>35 976 92</u>
Expenditures:			
Legislative:			
Township Board	5 250 00	6 359 43	1 109 43
General government:			
Supervisor	11 915 00	11 739 18	(175 82)
Elections	200 00	272 77	72 77
Assessor	14 500 00	14 884 08	384 08
Audit and attorney	3 500 00	4 166 23	666 23
Clerk	18 030 00	17 185 55	(844 45)
Board of Review	1 700 00	785 80	(914 20)
Treasurer	13 048 00	14 795 96	1 747 96
Cemetery	5 170 00	5 170 00	-
Public safety:			
Fire protection	73 050 00	81 172 44	8 122 44
Ambulance	7 665 00	7 621 85	(43 15)
Protective inspection	18 000 00	17 039 50	(960 50)
Planning - zoning	12 900 00	10 757 86	(2 142 14)
Public works:			
Drains	2 000 00	1 561 50	(438 50)
Highways and streets	2 965 00	2 964 00	(1 00)
Street lighting	3 600 00	3 523 53	(76 47)
Capital outlay	<u>220 500 00</u>	<u>219 906 86</u>	<u>(593 14)</u>
Total expenditures	<u>413 993 00</u>	<u>419 906 54</u>	<u>5 913 54</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Excess (deficiency) of revenues over expenditures	(157 782 68)	(127 719 30)	30 063 38
Fund balance, April 1	<u>206 000 00</u>	<u>626 853 69</u>	<u>420 853 69</u>
Fund Balance, March 31	<u><u>48 217 32</u></u>	<u><u>499 134 39</u></u>	<u><u>450 917 07</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND BALANCE – CEMETERY PERPETUAL CARE FUND

EXHIBIT D

Year Ended March 31, 2004

Operating revenues:	
Charges for services	-
Total operating revenues	-
Operating expenses	-
Operating income (loss)	-
Other income (expenses):	
Interest income	283 40
Total other income (expenses)	283 40
Net income (loss)	283 40
Fund balance, April 1	8 977 96
Fund Balance, March 31	9 261 36

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

COMBINED STATEMENT OF CASH FLOWS -
CEMETERY PERPETUAL CARE FUND
Year Ended March 31, 2004

EXHIBIT E

Cash flows from operating activities:	
Cash received from customers	-
Net cash provided (used) for operating activities	-
Cash flows from investing activities:	
Interest income	283 40
Net cash provided (used) for investing activities	283 40
Net increase (decrease) in cash and cash equivalents	283 40
Cash and cash equivalents, April 1	8 977 96
Cash and Cash Equivalents, March 31	9 261 36
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	-
Net Cash Provided (Used) for Operating Activities	-

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Marengo, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Marengo. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Funds

These funds are used to account for assets held in trust or as an agent for others.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was .8547 mills, and the taxable value was \$51,665,161.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies is considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 2 – Deposits and Investments (continued)

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>508 002 47</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	180 021 96
Uninsured and Uncollateralized	<u>322 939 28</u>
Total Deposits	<u>502 961 24</u>

The Township of Marengo did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/01/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land, Buildings & Equipment	<u>519 343 63</u>	<u>219 906 86</u>	<u>60 000 00</u>	<u>679 250 49</u>

Note 4 – Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 5 – Budget Variances

During the fiscal year ended March 31, 2004, Township expenditures exceeded the budgeted amounts in several activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund			
Activity:			
Township Board	5 250 00	6 359 43	1 109 43
Elections	200 00	272 77	72 77
Assessor	14 500 00	14 884 08	384 08
Audit and attorney	3 500 00	4 166 23	666 23
Treasurer	13 048 00	14 795 96	1 747 96
Fire protection	73 050 00	81 172 44	8 122 44

Note 6 – Pension Plan

The Township does not have a pension plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries. (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2004, the Township had building permit revenues of \$15,608.80 and building permit expenses of \$17,039.50.

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 1

Township Board:	
Salaries	2 375 00
Memberships and dues	1 059 33
Payroll taxes	2 550 10
Miscellaneous	375 00
	<u>6 359 43</u>
Supervisor:	
Salary	10 000 00
Salary – Deputy Supervisor	700 00
Miscellaneous	1 039 18
	<u>11 739 18</u>
Elections:	
Supplies	272 77
	<u>272 77</u>
Assessor:	
Contracted services	14 004 00
Miscellaneous	880 08
	<u>14 884 08</u>
Audit and attorney:	
Professional services	4 166 23
	<u>4 166 23</u>
Clerk:	
Salary	9 050 00
Salary – Deputy Clerk	1 980 00
Supplies	3 216 35
Telephone	1 747 86
Printing and publishing	1 191 34
	<u>17 185 55</u>
Board of Review:	
Per diem	762 50
Miscellaneous	23 30
	<u>785 80</u>
Treasurer:	
Salary	10 126 50
Salary – Deputy Treasurer	1 620 00
Supplies	361 48
Tax roll preparation	2 687 98
	<u>14 795 96</u>
Cemetery	5 170 00
	<u>5 170 00</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 2

Fire protection:	
Salaries and wages	25 577 35
Training	5 412 50
Supplies	1 152 20
Gas and oil	1 001 39
Clothing	4 150 28
Telephone	264 33
Insurance	24 530 12
Utilities	4 048 75
Repairs and maintenance	12 983 58
Miscellaneous	<u>2 051 94</u>
	<u>81 172 44</u>
Ambulance	
	<u>7 621 85</u>
Protective inspection:	
Wages	
	<u>17 039 50</u>
Planning and zoning:	
Zoning Administrator	1 365 00
Planning Commission	9 069 00
Miscellaneous	<u>323 86</u>
	<u>10 757 86</u>
Drains	
	<u>1 561 50</u>
Highways and streets	
	<u>2 964 00</u>
Street lighting:	
Utilities	
	<u>3 523 53</u>
Capital outlay	
	<u>219 906 86</u>
Total Expenditures	<u>419 906 54</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

COMBINING BALANCE SHEET – ALL TRUST AND AGENCY FUNDS

March 31, 2004

EXHIBIT G

	<u>Cemetery Perpetual Care</u>	<u>Current Tax Collection</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	<u>9 261 36</u>	<u>1 318 26</u>	<u>10 579 62</u>
Total Assets	<u><u>9 261 36</u></u>	<u><u>1 318 26</u></u>	<u><u>10 579 62</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Due to other units	<u>-</u>	<u>1 318 26</u>	<u>1 318 26</u>
Total liabilities	<u>-</u>	<u>1 318 26</u>	<u>1 318 26</u>
Fund equity:			
Fund balance:			
Reserved for cemetery perpetual care	<u>9 261 36</u>	<u>-</u>	<u>9 261 36</u>
Total fund equity	<u><u>9 261 36</u></u>	<u><u>-</u></u>	<u><u>9 261 36</u></u>
Total Liabilities and Fund Equity	<u><u>9 261 36</u></u>	<u><u>1 318 26</u></u>	<u><u>10 579 62</u></u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT H

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in bank	<u>1 478 94</u>	<u>1 522 254 01</u>	<u>1 522 414 69</u>	<u>1 318 26</u>
Total Assets	<u>1 478 94</u>	<u>1 522 254 01</u>	<u>1 522 414 69</u>	<u>1 318 26</u>
<u>Liabilities</u>				
Due to other funds	74 50	42 931 47	43 005 97	-
Due to other units	<u>1 404 44</u>	<u>1 479 322 54</u>	<u>1 479 408 72</u>	<u>1 318 26</u>
Total Liabilities	<u>1 478 94</u>	<u>1 522 254 01</u>	<u>1 522 414 69</u>	<u>1 318 26</u>

TOWNSHIP OF MARENGO
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2004

EXHIBIT I

Cash on hand and in bank – beginning of year	<u>1 478 94</u>
Cash receipts:	
Property taxes	1 519 869 01
Trailer park fees	<u>2 385 00</u>
Total cash receipts	<u>1 522 254 01</u>
Total beginning balance and cash receipts	<u>1 523 732 95</u>
Cash disbursements:	
Calhoun County	564 487 91
Calhoun County Intermediate School District	292 641 14
Marshall Public Schools	162 638 59
Albion Public Schools	9 569 71
Mar-Lee Public Schools	203 935 94
Kellogg Community College	174 983 82
Marshall District Library	68 879 16
City of Marshall	282 36
Township General Fund	43 005 97
Refunds	<u>1 990 09</u>
Total cash disbursements	<u>1 522 414 69</u>
Cash on Hand and in Bank – End of year	<u><u>1 318 26</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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DEPT. OF TREASURY

MAY 27 2004

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 1, 2004

To the Township Board
Township of Marengo
Calhoun County, Michigan

We have audited the financial statements of the Township of Marengo, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Marengo in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Marengo
Calhoun County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Marengo
Calhoun County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Marengo will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants